



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
225 South Lake Avenue, Suite 1250  
Pasadena, CA 91101  
(626) 793-9364 • Fax: (626) 793-9461  
www.scppa.org

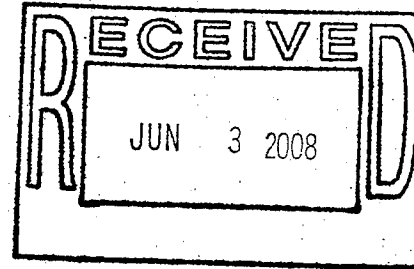
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May 22, 2008



Ms. Mary D. Nichols, Chair  
California Air Resources Board  
1001 "I" Street  
P.O. Box 2815  
Sacramento, CA 95812

Dear Ms. Nichols:

The utility members of the Southern California Public Power Authority (SCPPA) are fully committed to the goals of AB 32 to reduce greenhouse gas emissions reductions through our Renewable Portfolio Standards (RPS) and Energy Efficiency (EE) programs. While we recognize that investments in RPS and EE may have rate impacts, we remain very concerned that a cap-and-trade allowance allocation scheme will have rate impacts without impacting emission reductions. Cap-and-trade should be utilized as a secondary cost-containment mechanism to minimize costs, not increase costs or divert moneys to others or the State Treasury.

During the April 24, 2008 CARB briefing on AB 32 implementation by CPUC and CEC staff, there was discussion between Julie Fitch of the PUC staff and CARB Board Member Ron Loveridge over the impact of cap-and-trade or cap-and-auction regulation on the Southern California publicly-owned utilities that requires further clarification. These utilities jointly make up the SCPPA. SCPPA utilities represent 7 million rate payers who utilize 25% of the electricity in California.

Board Member Loveridge stated to Ms. Fitch that her comment that "most of the parties to the joint proceedings were pleased with the (joint CPUC/CEC) recommendations" did not necessarily include SCPPA utilities. Further, that some of the proposed scenarios could result in very large retail rate increases and create significant financial unintended consequences. Ms. Fitch responded that "we're (CPUC and CEC) trying to come up with options that are equitable to everybody." SCPPA also shares that goal.

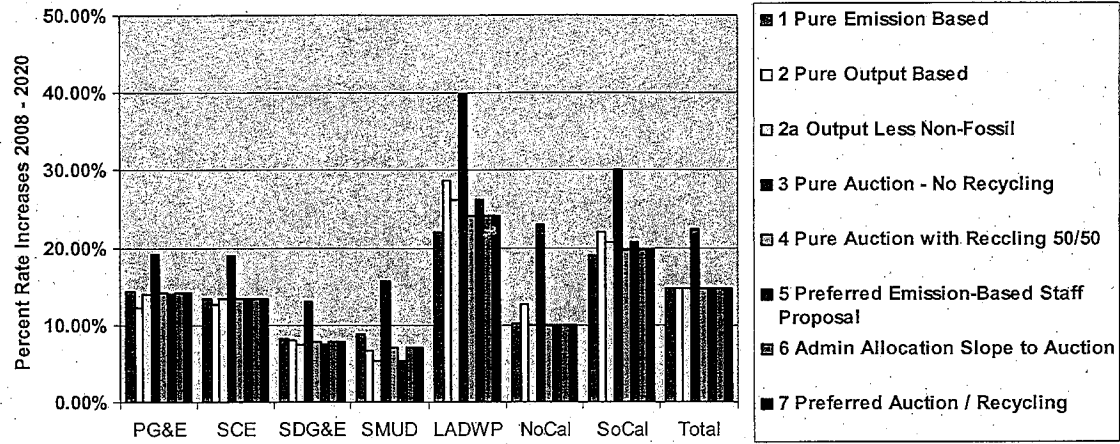
The CPUC's own consultant, Energy and Environmental Economics (E3), developed a model to assist the CPUC in evaluating the alternatives. Preliminary results of this modeling effort were released on May 6 and help illustrate various outcomes.

The findings of the E3 analysis are that different forms of regulation and allocation of emission allowances can have dramatically different impacts on different utilities and regions of the state, simply due to the fact that Southern California utilities have limited access to low-cost hydropower and have been dependent on coal generation. Various scenarios were examined by E3, from "pure auction" of allowances (the most expensive) to "pure historical emission" allocation of allowances, the method most favorable to SCPPA member utilities. What is noteworthy is that every one of these scenarios results in the highest percentage rate increases to the Southern California utilities. While it is true, as stated by the CPUC staff, that no recommendation has yet been forwarded from the CPUC or CEC to the CARB on the allocation of resources, it is clear that every option analyzed results in significant rate jolts on electricity consumers served by SCPPA utilities.

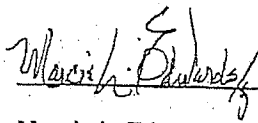
The publicly-owned members of SCPPA have serious concerns about the impacts on ratepayers that these allowance allocation options represent. While the CPUC and CEC recommendations are a step in the right direction, there are still equity issues that must be addressed.

To further clarify the position of publicly-owned utilities in Southern California, the members of SCPPA would like to request time on the agenda at the May 28 CARB Board briefing.

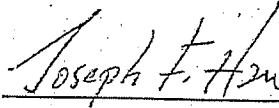
## Comparison Of EThree Scenarios



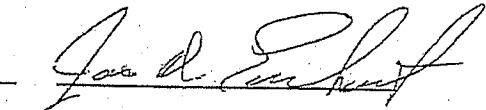
Regards,



Marcie L. Edwards  
General Manager  
Anaheim Public Utilities



Joseph F. Hsu  
Director of Utilities  
Azusa Light & Water

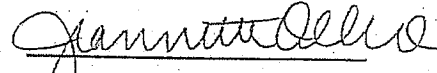


James D. Earhart  
Electric Utility Director  
City of Banning

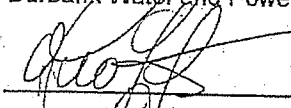


Ronald E. Davis  
General Manager  
Burbank Water and Power

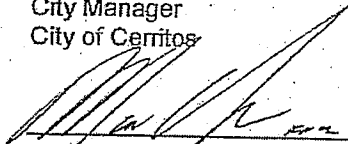
Art Gallucci  
City Manager  
City of Cerritos



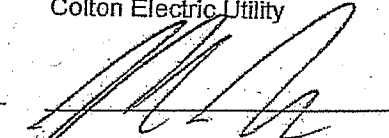
Jeannette Olko  
General Manager  
Colton Electric Utility



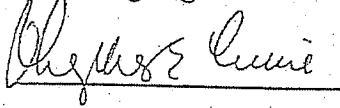
Glenn O. Steger  
Director of Utilities  
Glendale Water & Power



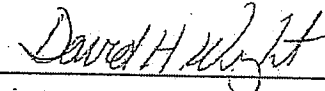
Brian J. Brady  
General Manager  
Imperial Irrigation District



H. David Nahai  
CEO and General Manager  
LADWP



Phyllis E. Currie  
General Manager  
Pasadena Water and Power



David H. Wright  
Public Utilities Director  
Riverside Public Utilities

cc: Board Members, California Air Resources Board  
Michael Peevey, President, California Public Utilities Commission  
Board Members, California Public Utilities Commission  
Jackie Pfannenstiel, Chair, California Energy Commission  
Board Members, California Energy Commission